

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – DECEMBER 12, 2002

PRESENT: Chairman John Byrne and Commissioner Anthony Maiola; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.; Michael Goclawski, Law Warehouse. **GUEST:** Executive Councilor Raymond Burton

EXCUSED: Commissioner Patricia Russell; Richard Gerrish, Spirits Marketing Specialist

Councilor Burton addressed the Commission, expressing interest in how some of our new programs are progressing. He asked how the Commission relates to the tourist industry, and how advertising reaches into the various communities. Chairman Byrne asked, while going through the business agenda, that bureau chiefs address any items specific to the North Country.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending December 8, 2002 shows retail sales were down -2.2%, on-premise sales were down -.67%, off-premise sales were down -10.6, and total aggregate sales were down -3.4%. The traffic count decreased by 2,266, while the average sales ticket decreased by \$.37. Craig commented that these downward figures are typical for the week following Thanksgiving.

The W-1 Total Weekly Sales report confirms that total sales were down - 3.4% or (\$251,006) for the week, but were up 5% or \$7,735,602 for the year. Wine sales for the week decreased by -4.8% or (\$166,144), and increased for the year by almost 8.9% or \$5,948,678. For the week, sales of spirits were down -2.2% or (\$84,862), but were up year-to-date by about 2% or \$1,791,560.

B. Budget Reports:

A review of the latest Outstanding Depletions and Post-Off's report indicates a continuing problem with one of the broker accounts, but this should be cleared up within a week or so. A check is expected shortly from another broker who is in arrears.

The current W-6 Expense Budget Activity Variance Report shows the year is at 44.66% complete, with actual agency expenditures at 44.6%. Craig has not

yet heard from Liberty Mutual regarding workman's compensation. Some information is expected from Risk Management in January.

Craig attended a fiscal note workshop during which new guidelines were presented for preparing them. There have been some concerns regarding agencies delivering the notes late; however, the Commission has been getting them back on time.

George and Craig have spent most of the last week preparing the agency's FY 04-05 budget, and are still working on additional changes.

The 2003 legislative books have been updated, and copies of relevant LSRs have been distributed to the three Commissioners.

There was another discussion with Paymentech regarding the gift card program, and Craig should know within the next two days what the costs will be. He is optimistic, and said the program will be implemented as soon as possible. This is part of a statewide contract that includes Treasury, Fish and Game and several other agencies. Howard commented that the software has been received from Paymentech, which will be tested within the next week or so. Test credit cards were also received this week.

2. IT Report

In the past week there have been several discussions with SUN on getting better communications for recovery at Law Warehouse; specifically, to include the Commission's connection at Law with SUN network. Howard would also like to have a back-up route from Law provided. Craig said Paymentech is currently in discussions with Mike Gocłowski relative to getting credit card capability for licensees on the Law web site. Law would take an order and, when the actual transaction happens, it would go through Paymentech and back into the Commission's account. There was further discussion as to how this process would work.

IT has forwarded to Law the document concerning automating breakage. As requested by the stores, minor changes were made today to make Mapper processing of inventory quicker.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales were down (\$68,695.16) or -1.24% for the week ending December 8, 2002, which was likely due to being the week following

Thanksgiving. However, Store #34 Salem was up almost \$12,000, and Peter expects to see increases in figures during the next several weeks.

In response to inquiry from Councilor Burton, Peter said there are 23 stores in the North Country, with 59 full-time and about 100 part-time employees. John Bunnell explained that Store Operations has an Assistant Director of Stores and nine store supervisors which supervise specified territories.

Several high points were mentioned by Peter. The new location of the Lebanon store has experienced a year-to-date increase of \$600,000, about one-half of which is business from the West Lebanon store. Retail sales for Store #23 Conway, which will be moving to the Hills Plaza in March, are up \$230,000. Store #42 Meredith, to which \$1,000 square feet was added in July, has shown an increase of \$60,000 year-to-date. In response to inquiry from Councilor Burton, Peter explained how the need to move a store is determined. He cited Store #7 Littleton, which was moved last May to very favorable responses from customers, and has increased sales by almost \$700,000. The application to put in a store in Brookline next May is going before the planning board on January 9th, with no problems anticipated.

There will be a meeting on December 18th at 9:30 a.m. which will include representatives from the Fire Marshall's Office, regarding the projects at Store #34 Salem and Store #38 Portsmouth. Hopefully this will explain where product is located in response to their feeling that there should be fire walls installed. Commissioner Byrne was of the opinion that an RSA or administrative rule should be developed regarding this.

2. Purchasing Report

John Bunnell reported that the number one item shortage is Stolichnaya Oranj Vodka, which will not be in the warehouse until December 23rd. Allens Coffee Brandy has now been received.

Mike Goclowski said he has been trying to keep pace with the Commission's directives. There are now close to 1,200 items which are available for purchase by the bottle.

3. Merchandising Report

A. SPIRITS:

1) Test Market Requests:

a) Baja Mocha:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for a new test market listing for Baja Mocha, 750ML size (assigned four-digit Code #5625), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b) Buffalo Trace Bourbon:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Sazerac Co., Inc. for a new test market listing for Buffalo Trace Bourbon, 750ML size (assigned four-digit Code #1767), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c) Martinis Appletini & Cosmopolitan:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for new test market listings for Martini's Apple Martini, 750ML size (assigned four-digit Code #4536) and Martini's Cosmopolitan, 750ML size (assigned four-digit Code #5407), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d) Seagrams Canadian Hunter & Mount Royal Light Whiskey:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve requests from Horizon Beverage Company/White Rock Distilleries for new test market listings for Seagrams Canadian Hunter, 1.75L size (assigned four-digit Code #2424) and Seagrams Mount Royal Light Canadian Whiskey, 1.75L size (assigned three-digit Code #566), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e) Three Olives Vodka Cherry, Raspberry & Vanilla:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve requests from Horizon Beverage Company/White Rock Distilleries for new test market listings for Three Olives Cherry Vodka, 750ML size (assigned four-digit Code #3779), Three Olives Raspberry Vodka, 750ML size (assigned four-digit Code #3780) and Three Olives Vanilla Vodka, 750ML size (assigned four-digit Code #3781), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f) Lautrec XO, VSOP and VS Cognacs:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve requests from United Beverages, Inc./MHW, Ltd. for new test market listings for Lautrec XO Cognac, 750ML size (assigned four-digit Code #4615), Lautrec VSOP Cognac, 750ML size (assigned four-digit Code #4616) and Lautrec VS Cognac, 750ML size (assigned four-digit Code #4617), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g) Signatory Single Malt Collection:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve requests from United Beverages, Inc./MHW, Ltd. for new test market listings for Signatory Islay 5-Year Old, 750ML size (assigned four-digit Code #2840), Signatory Lowland 60Year Old, 750ML size (assigned four-digit Code #2841) and Signatory Highland 6-Year Old, 750ML size (assigned four-digit Code #2842), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) February & March Special Offer (1 item – Phoenix Marketing):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from Phoenix Marketing, based upon depletions of one (1) spirit item, to be featured on sale during February and March 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) February Special Offers:

a. 5 items – Pine State Trading Co.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Co., based upon depletions of five (5) spirit items, to be featured on sale during February 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 45 items – Executive Wine & Spirits/Martignetti Co.'s of NH:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of forty-five (45) spirit items, to be featured on sale during February 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 64 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty-four (64) spirit items, to be featured on sale during February 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 51 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of fifty-one (51) spirit items, to be featured on sale during February 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Super Bowl Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve thirty-nine (39) spirit items to be featured during the Super Bowl Sale, scheduled for the period Thursday, January 16 through Sunday, January 26, 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (Codes #36445, #36446 & #36448):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing for general distribution of the following three (3) 1.5L size wine products, each of which earned the required gross profit of at least \$6,500 during twelve months, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #36445, Cabernet/Merlot Rosemount Ausl.; Code #36446, Chardonnay/Semillon Rosemount; and Code #36448, Shiraz/Cabernet Rosemount Ausl. The motion was unanimously adopted.

2) Special Offers for February 2003:

a. 3 items – Wineberries, Ltd.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Wineberries, Ltd., based upon depletions of three (3) wine items, to be featured on sale during February 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from R.P. Imports, based upon depletions of three (3) wine items, to be featured on sale during February 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 1 item – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from Perfecta Wine Company, based upon depletions of one (1) wine item, to be featured on sale during February 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 23 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State Trading Company, based upon depletions of twenty-three (23) wine items, to be featured on sale during February 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Close Out (Code #32468):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a close out sale on one (1) wine item from Martignetti Companies of N.H., effective Friday, 13, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Jaboulet Special Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve an offer from United Beverages, Inc. on the special purchase and distribution of three (3) Jaboulet wines, to be featured on sale during February and March 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales.

- 5) Recommended Wine Specialty Products:

- a. 8 items:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve eight (8) wine codes to be designated as wine specialty products and carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 62 items:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve sixty-two (62) wine codes to be designated as wine specialty products and carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Recommended Allocated and Restricted Wines for Distribution to Selected Stores (22 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve twenty-two (22) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Primary Source Submissions (9 items – exclusive agent; 26 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-six (26) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT

For the benefit of Councilor Burton, Chief Moore gave an overview of the makeup Enforcement and Licensing Bureau. There are 22 officers and 11 civilians with the Bureau, which oversees trade practices. There are 4 licensing specialists who provide necessary information to licensees.

Sergeant David Moser covers many communities in the North Country, and was involved significantly in a case at Plymouth State College in which false I.D.'s were being made. He is also involved in coalition development between law enforcement and young people, and maintains a community outreach unit. The technical college also provides training for North Country residents.

Licensing is currently looking at ways to innovate and streamline licensing processes, and is working with IT on an internet based renewal program. Attempts are made to see that licensee responsibilities are reasonable with the law. John Bunnell explained the process by which orders may be placed by internet, fax or telephone.

IV. CHAIRMAN'S REPORT AND LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previous approved requests for bailment releases/transfers dated December 6 through December 12, 2002. The motion was unanimously adopted.

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2. Coupon Approvals: None.

3. Late Items:

a. Recommended Distribution to Selected Stores:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the distribution to selected stores of three (3) wine items per special depletion offer from United Beverages, Inc., to be featured on sale during January and February 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

/D. Hartford

